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January 26, 1983

BRIEFING MEMORANDUM
S/S

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TO: The Secretary

FROM: EA - Paul Wolfowitz *PW*

SUBJECT: Your Meeting with Deng Xiaoping

I. YOUR OBJECTIVES

1. Convey, on the President's behalf, the high value we assign to US-China relations, stressing the benefits to both sides of our decade of rapprochement (Talking Points attached).
2. Reaffirm our view that the Soviet threat has not changed, that we are working with allies to counter it, and that the US and China must continue to work closely to this end. Remind Deng of the need to bear each other's interests in mind when dealing with Moscow (Talking Points attached).
3. Emphasize the need to view bilateral irritants in the context of broad strategic and bilateral interests; stress the need for greater realism and understanding to keep differences in perspective while working, gradually, to resolve or reduce them (Talking Points attached).
4. Outline what both sides should do to move the relationship ahead (Talking Points attached).
5. (If raised) Respond to specific bilateral complaints (Talking Points attached).

II. SETTING

Your meeting with Deng will be your most important event in Beijing, pulling together the results of all earlier meetings. Now in his late seventies, Deng remains China's most powerful figure. As the driving force behind China's modernization effort, he has sought--since his second return from political exile in 1977--to reverse the radical, ideologically-based policies of the Maoist era, which left China's society in shambles and its economy shackled by a stagnant, Stalinist approach. He is very anti-Soviet and has promoted pragmatic, pro-Western approaches to foreign policy.

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V. DISCUSSION OF OBJECTIVES

Convey, on the President's behalf, the high value we assign to US-China relations, stressing the benefits to both sides of our decade of rapprochement.

The talking points below are designed to give you a flavor of the depth and breadth of US-China relations, many aspects of which are frequently overlooked. You may wish to draw selectively from them in order to demonstrate to Deng the overwhelming benefits China derives from the relationship.

-- Want extend President's personal greetings; convey great importance he attaches to US-China relations and his desire move them forward.

-- President knows your long-standing interest in building strong US-China relations; greatly admires and appreciates your efforts in this cause.

-- Throughout visit, I've pointed to tremendous value of relationship for both countries. Need only consider where we were a decade ago, and where we are today, to see immense impact of our rapprochement.

-- Our ties brought about fundamental shifts in global and regional power balances favorable to both countries' interests. No longer face dangerous prospect of fighting each other in war. You free to concentrate on other threats; we have increased flexibility to deal with military contingencies in areas--Indian Ocean, Persian Gulf--of vital concern to us both.

-- Have consulted on wide range of issues; have discovered and developed many areas of common interests and approaches.

-- In Afghanistan, have worked together to stop outside aggression; in Kampuchea, have developed coordinated approaches aimed at driving out Vietnamese and restoring peace. In other areas, where views have not always coincided, such as Middle East and southern Africa, have had constructive dialogue, come to recognize broad objectives similar, laid basis for possible common approaches in future.

-- Our rapprochement paralleled by improvements in Sino-Japanese and Sino-ASEAN relations. Result, Asia today--even recognizing Soviet threat and Kampuchean situation--more stable and prosperous than any time in past.

-- Our rapprochement also facilitated forging ties between China and West, with great benefits for both.

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-- (If appropriate) Have had excellent defense exchanges and discussed contingency planning, which we believe should be renewed. Over past year, approved licenses for sales presentations on wide variety of equipment which could help China against USSR. Recently approved licenses for sales presentations of anti-armor missiles, helicopter-mounted close support weapons systems, and sophisticated photo reconnaissance equipment.

-- Great economic benefits. Have solid framework for expanding economic and commercial relations, agreements covering trade, civil aviation, shipping, ExIm Bank, OPIC, and other areas. While sometimes disagree in interpreting these agreements, they have served purpose of promoting expansion of relations. China now fourteenth largest US trading partner; we now China's third.

-- US firms willing to engage in joint ventures and long-term cooperative projects, transferring wide variety of equipment and know-how, including technology for airplanes, aircraft parts, and hydroturbines.

-- Have made available technology and industrial processes, e.g., petrochemical processes to help China build its petrochemical industry. In off-shore oil, US companies poised invest extraordinary sums to expand Chinese energy supplies. As US firms provide services and equipment, Pingshuo coal mine will become one of largest in world.

-- Seventeen S&T protocols involve many US Government agencies, as well as private sector, in broad program of cooperation. Chinese scientists have had direct access to many US institutes and types of advanced technology they work with.

-- Dalian Management Center, funded by USG, introduced hundreds of your administrators to US management techniques. Over 11,000 Chinese studied in US since 1979. US firms welcomed thousands of other Chinese for training in US factories and businesses.

-- ExIm Bank has loaned \$120 million. Our offer of \$2 billion credit line remains open. OPIC insures US firms in China and finds joint venture partners for Chinese firms; Trade and Development Program funds Chinese feasibility studies, including hydropower project/coal slurry pipeline.

-- Have reviewed benefits of relationship at some length because essential both sides recognize how much we have gained and how very far have come in few short years.

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Reaffirm our view that the Soviet threat has not changed, that we are working with allies to counter it, and that the US and China must continue to work closely to this end. Remind Deng of the need to bear each other's interests in mind when dealing with Moscow.

-- As I noted earlier, strategic benefits of relationship already substantial. Good US-China relations vital to countering Soviet threat in Asia. Must continue strengthen our efforts.

-- With recent changes in Soviet leadership, important that both US and China seek opportunities to reduce tensions with Moscow; however, must be realistic and understand Soviet threat unchanged. Indeed, it has grown.

-- Although Moscow may be temporarily bogged down, domestically and elsewhere, it clearly determined to pursue long-term aggressive and expansionist objectives. Is seeking take control of Afghanistan, then extend power beyond. Will continue support Vietnam's encroachment in Kampuchea and encourage Cuban interference in Latin America and Africa. Vitally important we continue working to counter those threats and promote world peace and security.

-- We now working hard with allies in Europe to address differences on how to deal with Soviets and have begun intensive consultations on common policy on economic relations with Soviet bloc. By forging new allied consensus, we will strengthen common approach to USSR.

-- President has established personal relationship with Nakasone, on basis of which US-Japan relations can move forward in defense field, while addressing problem issues such as bilateral trade. This too will strengthen West.

-- In Middle East, we have new policies in motion which will further reduce opportunities for Soviet gain.

-- Nature of Soviet threat different for different countries but all interrelated. Thus, in dealing with Soviets on global, regional, and arms control issues, important keep in mind interests of all concerned. We will continue to bear your interests in mind when dealing with USSR; can we be confident you will also bear ours in mind as you talk to Moscow?

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Emphasize the need to view bilateral irritants in the context of broad strategic and bilateral interests; stress the need for greater realism and understanding to keep differences in perspective while working, gradually, to resolve or reduce them.

-- I have reviewed our common interests and benefits we derive from relationship. We recognized these realities when we found way to address and strike compromises on very difficult issues in August 17 Joint Communique.

-- Need bear in mind these fundamental gains as we survey bilateral disagreements so we can put them in context of overall relationship. Much emphasis recently put on relatively narrow bilateral differences; product of building so quickly and well.

-- Some people believe we have reached point where we should take same approach on everything, give each other special treatment, not have problems. This not true of any relationship, as we both know. What is ideal is not perfect relationship but one so well-founded it can withstand day-to-day buffeting that inevitably accompanies wide-ranging relationship.

-- This said, I want take opportunity to address two areas of your concern--Taiwan and technology transfer.

Taiwan

-- Taiwan has always been difficult issue; but we have consistently found ways to set aside or make progress gradually, so goal of ultimately removing this issue as obstacle could be progressively realized.

-- Feel we have not received respect and credit due for tough decisions taken by President to ensure further progress in relationship. Decisions we have made on Taiwan issues have steadily reflected importance we place on US-China relations and keeping commitments.

-- Not surprising we have old friends in Taiwan, about whom President, our people, and elected representatives maintain principled feelings of loyalty; nonetheless, have maintained only unofficial, people-to-people contacts, in way that accords with undertakings at normalization.

-- As President wrote General Secretary Hu, and Vice President Bush said publicly in Beijing last May, we are determined not let unofficial relations with Taiwan undermine our commitment to one China principle. As we said to you early as decade ago and have said in August 17 Communique, will not pursue "Two Chinas" or "one China, one Taiwan" policy.

-- Must ask you have faith in our fundamental constancy and direction. Worked hard to get August 17 communique in place, as you did; will work equally hard to implement, just as we expect you to carry out policies you articulated.

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-- Must ask you have faith in our fundamental constancy and direction. We worked hard to get August 17 communique in place, as you did; will work equally hard to implement, just as we will expect you to do your part with regard to positions and policies you articulated in document.

Technology Transfer

-- Have come long way in decade on technology transfer, but greatest changes have come in last twenty months since Secretary Haig told you we intended major liberalization of controls. Now sell exceptionally broad range of both equipment and technology, much state-of-the-art.

-- All familiar with problem of census computers. But they, and many more like them, have been delivered; and when you look at what has occurred across-the-board, will see progress made. Numbers of license applications and dollar amount of advanced technology approved has increased significantly. Level of technology also increased significantly; vast majority advanced equipment and technology now available to China. Example, IBM 4341, one of computers for China's census, only now widely introduced in US; approval recent ITT case major milestone.

-- Some say export control policy toward China unwarranted, but I don't believe it. Maintain controls only on most advanced technology for valid national security reasons.

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-- We try to administer as liberally as possible. In terms of licensing decisions, simply inaccurate to suggest treatment of China today resembles in any way former approach when we placed China in same category as Soviet bloc.

-- In my view, need work hard now to rebuild trust and confidence between our governments. As we do so, every reason to expect we will continue make important progress in this area; we'll do best to work toward this goal and hope you, by your actions, will also.

-- However, trade and technology transfer two-way street. Have heard many complaints about what we did not sell, but it not only China which has not gained all it wants from technology exchange. Both sides need to address and resolve problems of technology transfer.

-- First, need to understand what technology transfer is. Spent considerable time discussing this with people in Beijing.

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-- Must recognize thousands of US firms have invested hundreds of millions dollars/substantial time preparing proposals, traveling to your country, receiving your business delegations. Some contacts led to successful cooperative ventures, but many turned out to be dead ends. In some cases, has led to disenchantment with China market. Understand problems you face in ensuring rationality in foreign trade, but need to develop better understanding/streamlined mechanisms on both sides, facilitate interaction between two economies. If can do this, future economic exchanges very bright.

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Outline what both sides should do to move the relationship ahead.

- Number of important areas where need move ahead.
- Need restore regular dialogue at high levels. Is essential to rebuilding common understanding and mutual trust.
- President Reagan has invited Premier Zhao; need early acceptance of invitation.
- Need restore working-level strategic consultations. I proposed to Foreign Minister Wu resuming regular program of meetings at Under Secretary/Vice Foreign Minister level on global and regional issues. Have also proposed working-level exchanges in specific foreign policy areas.
- Need improve cooperation in certain special areas, about which will say more when meet privately.
- (If appropriate) Should gradually restore defense element in relations. Didn't come to press arms, but can be of use to both. Secretary Weinberger wants to visit China, and we are prepared to receive PLA Logistics Vice Chief of Staff.
- Need continue expand S&T relations. We invited Minister of Space Industries for shuttle launching. Prepared explore other areas space cooperation. Welcome your ideas for new areas of S&T cooperation; will continue to welcome your students.
- Essential work hard, in everything we do, to rebuild confidence. For this, need efforts from you, not merely reciprocating visits so that there can be further moves on our side but also in attitude.
- For example, you have criticised us on certain issues. This not unusual; even closest allies criticize us, as we do them, when we disagree. However, over past several months you have adopted labels and slogans identifying us with Soviets and blaming us for world's ills. Must tell you frankly that this can give impression that you are unfriendly and harms our ability to work toward expanding relations.
- Also important you comply with our technology transfer regulations and give credit for what we have already done.
- Realize relationship must be based on mutual respect and that not all problems can be resolved over night.
- Work for steady expansion of trade and all other aspects.
- Finally, continue to expand presence in both countries. Hope you take steps to facilitate growth of US presence, as we facilitated your presence in and access to US, so both can continue expand. Asked Vice Premier Wan to discuss this in more detail with Ambassador Hummel.

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(If raised) Respond to specific bilateral complaints.

Taiwan Relations Act

-- TRA is our internal law; President supports; I support. No prospect it will be changed; given our legislative system, if we tried could not guarantee any better outcome.

-- TRA provides mechanisms necessary to carry on people-to-people relations with Taiwan. Believe it fully accords with letter/spirit Normalization and August 17 communique, both of which affirm continuation unofficial contacts and latter of which addresses Taiwan arms sales issue.

Meetings between US Officials--e.g. Judge Clark--and Persons from CCNA

-- US society distinguishes between public and private acts by all citizens; likely any of our people, including leaders, will sometimes have unofficial contacts with people from Taiwan; this provided for in normalization communique. We do not deal officially with representatives of Taiwan authorities.

--We work in goldfish bowl with great attention from domestic/overseas press; not everything reported accurately. Sometimes, people with ulterior motives, distort truth. When you read or hear reports you find disturbing, must ask us; when we give our government's explanations, must accept. Sometimes after we explain things privately, your press still carries only the distorted version, casting doubt on our word.

--Suggest you try take less sensitive approach. Understand our political system is more free-wheeling; permits officials have private contacts with whomever they choose.

Alleged "Distortions" of Communique

If you refer statements such as Ambassador Holdridge's testimony before SFRC, we do not consider that distortion. These are statements to our citizens and elected representatives explaining why Communique is consistent with our internal law.

--We both know what Communique says and does not say; engaged in long exchanges and negotiations, working hard on each word, phrase, placement and context. Said I would not renegotiate it, and you agreed. Important to implement it, in spirit mutual understanding, for good US-China relations.

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Figures on Taiwan Arms Sales

-- Under our accounting system, different figures on arms sales used at different stages. Subject to correction and updating throughout process, right up to date of shipment and even afterward, extremely complicated. Various final figures available publicly in due course. As statistics published, over time, trend will be seen.

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Hu Na

We instructed Ambassador Hummel this week to brief the Chinese at a high level on the current state of play and to make clear that, regardless of the ultimate disposition of the case, we would not be able, under US law, to force Hu Na to return to China against her will if another destination (read Taiwan) were willing to receive her.

-- Recognize your desire for Hu Na to return to China and can sympathize with her family's unhappiness over her decision not to return. However, this was her personal decision, over which we have no influence.

-- Asylum reflects deep tradition enshrined in our values and laws. We have acceded to UN Convention and Protocol Relating to Status of Refugees; understand China has recently done the same and announced liberal attitude in providing refuge to those who seek it.

-- Because our law incorporates both our traditions and provisions of the Protocol, there are many procedural safeguards to people seeking asylum in US. Include numerous opportunities for review of decision.

-- Thus, even if Hu Na denied asylum, could take several years before she obliged to depart US; process might involve much unwanted publicity.

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--US law does not permit us to compel alien to return to country of origin (other than in extradition case, which does not apply to Hu Na), if wishes to go elsewhere and is accepted. If denied asylum, Ms. Hu would be free to go anywhere that admits her, including Taiwan.

--Should be viewed in broader context. 9,000 Chinese now studying in US, many on scholarship. Reflects our commitment to assist your ambitious modernization goals. Vast majority will return and contribute to China's development. Program should not be jeopardized by the few exceptions.

Textiles

-- Disappointed four months of textile negotiations failed to produce new agreement before previous agreement expired. Prepared to renew discussions any time.

-- Ability to be more forthcoming in this area unfortunately limited by difficult domestic industry conditions.

-- You enjoyed tremendous growth in recent years; now our fourth largest supplier. Even under unilateral controls which we have temporarily instituted in absence agreement, you continue expand at faster rate than other suppliers. By end of decade, you likely be number one supplier.

-- Very difficult problem involving both domestic considerations (jobs/economic recovery) and international questions such as obligations to other suppliers. Must work to solve them/build stable, long-term relationship where such issues handled more routinely.

-- In that context, regret your recent decision to limit purchases of cotton, chemical fiber, and soybeans. These restrictions discriminatory since apply only to us and disproportionate to measures against which directed.

Hukuang Railway Bonds

The Chinese are concerned about the possibility that Chinese commercial holdings in the US may be attached, following a court decision on railway bonds (see separate background paper).

-- This issue demonstrates kind of problems that can arise only between countries with broad relationship; couldn't have arisen if you did not have commercial presence in addition to diplomatic presence in US. Believe negotiated solution can be found that would not compromise principles of either side.

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